

Message Text

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ORIGIN EB-07

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FM SECSTATE WASHDC

TO AMEMBASSY LIMA

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E.O. 11652:N/A

TAGS: EFIN, PE

SUBJECT: CREDIT CLASSIFICATION

REF: A) LIMA 1645; B) STATE 20072, 9/11/74

1. NATIONAL BANKS MUST BELONG TO THE FEDERAL RESERVE SYSTEM, BUT ARE INSPECTED BY THE COMPTROLLER OF THE CURRENCY THE FEDERAL RESERVE EXAMINES STATE CHARTERED MEMBER BANKS. A PRELIMINARY CHECK INDICATES THAT ALL U.S. BANKS OPERATING IN PERU ARE NATIONAL BANKS.

2. THE FEDERAL RESERVE DOES NOT AUTOMATICALLY CLASSIFY ALL LOANS TO A PARTICULAR COUNTRY INTO ANY CATEGORY. THE INDIVIDUAL FED BANK EXAMINER WHO IS RESPONSIBLE FOR EVALUATING A BANK'S LOAN PORTFOLIO, JUDGES PARTICULAR LOANS ACCORDING TO A BROAD SET OF CRITERIA. WHILE A DE LIMITED OFFICIAL USE

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FACTO CONSENSUS MAY EMERGE FROM INDIVIDUAL EXAMINERS'

ACTIONS, THESE DETERMINATIONS ARE NOT THE RESULT OF SPECIFIC FEDERAL RESERVE BOARD INSTRUCTIONS.

3. ALL NATIONAL BANKS ARE EXAMINED BY THE COMPTROLLER. PERIODIC MEETINGS OF COMPTROLLER EXAMINERS FACILITATE THE INTERCHANGE OF RELEVANT POLITICAL AND ECONOMIC INFORMATION. THIS RESULTS IN MORE UNIFORM JUDGMENTS BEING APPLIED TO ALL NATIONAL BANK CREDITS TO A CENTRAL GOVERNMENT AND AGENCIES THEREOF--THIS DOES NOT INCLUDE PRIVATE SECTOR LOANS. THE COMPTROLLER'S OFFICE IS NOT AUTHORIZED TO DISCLOSE JUDGMENTS WITH RESPECT TO INDIVIDUAL LOANS OR LOANS TO PARTICULAR BORROWERS. EXAMINERS FROM BOTH THE COMPTROLLER AND THE FED WOULD OBVIOUSLY CONSIDER THE NATURE OF THE TRANSACTION IN REACHING A CONCLUSION. FOR EXAMPLE, SHORT-TERM TRADE CREDITS WOULD UNDOUBTEDLY BE CONSIDERED IN A DIFFERENT LIGHT THAN LONG TERM LOANS. THEREFORE, THERE WOULD BE NO PREDETERMINED BLANKET JUDGMENT FOR ALL LOANS TO A PARTICULAR COUNTRY. WE HAVE NO INDICATION THAT LOANS TO PERU ARE BEING SUBJECT TO SPECIAL SCRUTINY OR GENERALLY RECEIVING A LESS THAN SATISFACTORY CLASSIFICATION BY BANK EXAMINERS.

4. U.S. BANK EXAMINERS HISTORICALLY HAVE BEEN ACCORDED CONSIDERABLE INDEPENDENCE IN EXERCISING THEIR RESPONSIBILITY OF PROTECTING U.S. DEPOSITORS. THE DEPARTMENT'S POLICY IS THAT IT WOULD BE INADVISABLE TO ALTER THIS PROCEDURE THROUGH THE INJECTION OF FOREIGN POLICY CONSIDERATIONS IN THE EXAMINATION PROCESS. RECENT CONGRESSIONAL HEARINGS AND CONTINUING INTEREST IN EXAMINATION PRACTICES INDICATE THE SENSITIVITY OF THIS SUBJECT. (SEE REF B FOR BACKGROUND ON COMPTROLLER EXAMINATIONS).

5. IT SHOULD BE STRESSED THAT LOAN DECISIONS ARE MADE BY THE BANKS, NOT BY THE COMPTROLLER. WHILE BANKS ARE UNDER NO OBLIGATION TO COMPLY, THE SAME BASIC ECONOMIC CONDITIONS WHICH WOULD INFLUENCE BANK EXAMINERS' JUDGMENT USUALLY LEAD BANKS TO PRACTICE CONSERVATIVE POLICIES. INGERSOLL

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